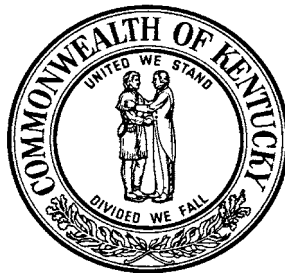


**REPORT OF THE AUDIT OF THE
BOONE COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOONE COUNTY CLERK

**For The Year Ended
December 31, 2001**

The Auditor of Public Accounts has completed the Boone County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess Fees increased by \$132,398 from the prior calendar year, resulting in a cash surplus of \$702,265 as of December 31, 2001. Revenues increased by \$1,655,169 from the prior year and disbursements increased by \$1,517,404.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

Leases:

Commitments to the following lease agreements as of December 31, 2001 are:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Principal Balance As Of December 31, 2001</u>
Software License	\$2,495	12/15/99	12/14/05	\$ 90,925
Computer Hardware	\$14,064	12/15/99	5/14/06	\$561,756

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Gary W. Moore, Boone County Judge/Executive

Honorable Marilyn K. Rouse, Boone County Clerk

Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Boone County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Marilyn K. Rouse, Boone County Clerk
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In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 16, 2003

BOONE COUNTY
MARILYN K. ROUSE, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

State Fees For Services

Tax Bill Preparation	\$ 5,694	
Registration of Voters	1,608	
Voter Personnel Reimbursement	<u>23,469</u>	\$ 30,771

Fiscal Court

Tax Bill Preparation	\$ 13,314	
Board of Assessments	<u>300</u>	13,614

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 2,134,791	
Usage Tax	12,174,104	
Tangible Personal Property Tax	7,281,599	

Licenses-

Marriage	25,323	
Beer and Liquor	58,049	

Deed Transfer Tax

639,571

Delinquent Tax

443,142

22,756,579

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 72,544	
Real Estate Mortgages	394,151	
Chattel Mortgages and Financing Statements	288,185	
Powers of Attorney	4,258	
All Other Recordings	140,836	

Charges for Other Services-

Candidate Filing Fees	650	
Copywork	31,797	
Postage	14,693	
Miscellaneous	<u>8,198</u>	955,312

Interest Earned

27,384

Total Receipts

\$ 23,783,660

The accompanying notes are an integral part of this financial statement.

BOONE COUNTY
 MARILYN K. ROUSE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,608,401

Usage Tax 11,804,143

Tangible Personal Property Tax 2,652,089

Licenses, Taxes, and Fees-

Delinquent Tax 60,671

Legal Process Tax 101,422

Candidate Filing Fees 390 \$ 16,227,116

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 812,277

Delinquent Tax 48,762

Deed Transfer Tax 607,592

Tax Bill Preparation 12,955

Beer and Liquor Licenses 55,027 1,536,613

Payments to Other Districts:

Tangible Personal Property Tax \$ 3,539,649

Delinquent Tax 232,422 3,772,071

Payments to Sheriff 3,578

Payments to County Attorney 65,338

Operating Disbursements:

Personnel Services-

Deputies' Salaries \$ 829,737

Employee Benefits-

Employer's Share Social Security 65,455

Employer's Share Retirement 58,191

Employer's Paid Health Insurance 107,545

The accompanying notes are an integral part of this financial statement.

BOONE COUNTY
 MARILYN K. ROUSE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Contracted Services-			
Microfilm, Books, and Backfiling	\$	45,789	
Office Equipment		2,430	
Employee Training Programs		1,153	
Office Renovations/Upkeep		22,442	
Materials and Supplies-			
Office Supplies		48,882	
Other Charges-			
Dues		4,390	
Postage		13,892	
Insurance and Bonds		3,461	
Miscellaneous		16,709	
Debt Service:			
Lease Purchases - Computer Equipment		175,641	\$ 1,395,717
Total Disbursements			<u>\$ 23,000,433</u>
Net Receipts			\$ 783,227
Less: Statutory Maximum	\$	75,903	
Training Incentive		1,459	<u>77,362</u>
Excess Fees			\$ 705,865
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for 2001			\$ 702,265
Payments to County Treasurer - March 13, 2002			<u>702,265</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$24,708. Interest earned during calendar year 2001 totaled \$5. No funds were expended during calendar year 2001. Therefore, the unexpended grant balance is \$24,713 as of December 31, 2001.

Note 5. Leases

Commitments to the following lease agreements as of December 31, 2001 are:

Item Purchased	Monthly Payment	Beginning Date	Ending Date	Principal Balance As Of December 31, 2001
Software License	\$2,495	12/15/99	12/14/05	\$90,925
Computer Hardware	\$14,064	12/15/99	5/14/06	\$561,756

The schedule above reflects two software license agreements and six computer hardware lease agreements held by the County Clerk with Software Management, Inc. These agreements began and will end on different dates. The monthly payments and ending balances have been combined. The beginning and ending dates are used to show the combined length of the agreements.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Boone County Clerk for the year ended December 31, 2001, and have issued our report thereon dated January 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boone County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 16, 2003

